

## FIXED INCOME DAILY

### EM pickup in a cautious market

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**UST fell and EM Asian bond markets were supported to begin the week on recent positive vaccine news though worries over rising infection cases placed a lid on demand in the EM markets. We expect cautious sentiment in Asian bonds to continue today. There's a lack of fresh drivers in MY, TH and ID bond markets but underlying dovish central banks remain the major support.**

**Up tomorrow is Malaysia's Oct CPI where consensus expectation is for another deflationary number of -1.4% yoy versus similar -1.4% in Sep. Our economist expects a larger -1.6% yoy as underlying price pressures remain weak. Resurgence in COVID-19 cases and more states placed under conditional movement control may have forced consumers to hold back their spending. We still foresee BNM as having room for another 25bps cut to sway local demand and growth.**

**US Treasuries:** UST began this holiday-shortened week on weaker note. Recent upbeat vaccine developments continued to push flows away from safe haven investments, and players kept an eye on speculation Biden was mulling Janet Yellen as Treasury secretary. Overnight, the Treasury Department sold USD56b and USD57b of the 2T and 5T respectively. Demand was mixed with BTC at the 2T sale at 2.71x vs 2.55x average past 12 auctions and the 5T at 2.38x vs 2.49x average prior 12 auctions.

UST market reversed some of late last week's inflow on news the Treasury had asked the Fed to return unused funds of about USD455b from five funding programs ahead of expiration late Dec. This would have effectively ended funding programs that provide liquidity to corporates, banks and markets of as much as USD500b though reports suggest only a small sum of about USD25b had been used since inception early this year. The UST market was cautious of the news as the funding lines were effectively an important and last line of liquidity backstop to markets.

**Malaysia:** Government bonds saw modest demand along short to the bellies of the curve on yield hunt, but a lack of fresh local guidance left little drivers to the market. Meanwhile, mixed external forces left little as guidance as rising hopes for vaccines were shadowed by recent surge in global infection cases.

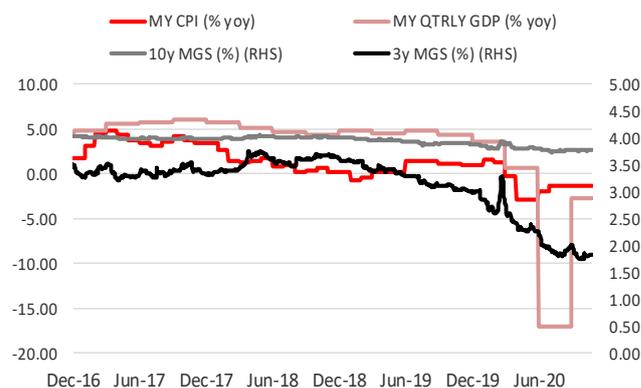
Up tomorrow is the Oct CPI where consensus expectation is for another deflationary number of -1.4% yoy versus similar

Security	Last (%)	1d (+/- bps)	5d (+/- bps)	30d Ave
US 2y	0.16	0	-2	0.16
US 10y	0.85	3	-5	0.85
10y/2y US (bps)	69	3	-3	69
US 5y Swaps	0.46	1	0	0.44
MY 3y	1.83	1	2	1.80
MY 10y	2.65	-1	-1	2.65
10y/3y MY (bps)	82	-2	-3	85
MY 5y Swaps	2.20	0	0	2.15
TH 2y	0.52	-1	0	0.58
TH 10y	1.30	-2	-3	1.41
10y/2y TH (bps)	78	-1	-3	84
TH 5y Swaps	0.82	0	-1	0.80
ID 2y	4.12	-1	-1	4.22
ID 10y	6.21	1	-2	6.35
10y/2y ID (bps)	209	2	-1	213
SG 2y	0.25	0	1	0.24
SG 10y	0.91	-1	-3	0.87
10y/2y SG (bps)	66	-1	-4	62
SG 5y Swaps	0.50	-1	-1	0.49

5y CDS	Last	1d (+/- bps)	5d (+/- bps)	30d Ave
Malaysia (A3/A-)	39	-1	2	41
Thailand (Baa1/BBB+)	39	-1	0	41
Indonesia (Baa2/BBB)	90	10	14	87

Source: Bloomberg, ETP, BPAM, Thai BMA, IBPA, CIMB Treasury & Markets Research

**Consensus for MY CPI is another deflationary number of -1.4% yoy in Oct versus similar -1.4% in Sep. We expect -1.6% yoy.**



Source: Bloomberg, CIMB Treasury & Markets Research

-1.4% in Sep. Our economist expects a larger -1.6% yoy as underlying price pressures remain weak. The resurgence in COVID-19 cases and more states under conditional movement control order may have forced consumers to hold back spending. We still foresee BNM as having room for another 25bps cut to sway local demand and growth.

**Indonesia:** IndoGB market was supported by EM risk appetite due to recent positive vaccine news. Yields fell mildly in the morning session and later by more in the afternoon session as investors gained more confidence. Non-benchmark papers were seen down about 3bps.

Today MoF will hold a sukuk auction with IDR10t target issuance size, and being second to last scheduled auction for sukuk this year. Demands is likely to be firm where we expect mostly from onshore players. IndoGBs had been supported recently after BI unexpectedly cut the 7dRRR by 25bps to 3.75%, and signaled continued accommodative policy.

**Thailand:** ThaiGBs maintained their strong momentum due to positive vaccine news and support for overall Asian and emerging markets. Also, offshore funds were back in for Thai govies at THB948m net buy after the net selling flow in the last week.

The Thai cabinet approved THB152b of projects in an effort to boost the economy. However, the projects should not affect the bond issuance plans as these will be financed under the original government's THB400b borrowing plan for the stimulus package. Of note, Thailand's trade balance in Oct remains at surplus (THB2.0bb) despite exports showing more contraction (at -6.71% in Oct vs -3.86% prior month) as imports compressed at faster pace of -14.32%.

Last week, the MPC unanimously voted to hold the policy interest rate at 0.50% and the statement indicates the committee as more dovish. The MPC states the recovery path for the Thai economy remains fragile and uneven. Despite the better-than-expected 3Q2020 GDP, the economy still requires support from accommodative policies amid concerns over COVID-19 and risks to the tourism sector due to slow border reopening. The BoT spokesman said the central bank is also monitoring THB trend.

#### Recent fixed income-related reports from Treasury & Markets Research, CIMB

Date	Publication	Title
18-Nov-20	Market Musings	TH: BoT holds rates, expresses caution
12-Nov-20	Market Musings	TH: BoT Nov-2020 Meeting Preview: Dovish Expectations
03-Nov-20	Market Musings	MY: Bank Negara Malaysia holds for now
02-Nov-20	Market Musings	MY: Malaysia's Budget 2021 Preview: Fiscal Boost Set to Continue
28-Oct-20	Market Musings	MY: BNM November 2020 MPC Preview
21-Oct-20	Market Musings	US Election: Politics Versus Markets
14-Oct-20	Market Musings	SG: The Portents of MAS' Status Quo
23-Sep-20	Market Musings	TH: BoT holds rates, preserving policy flexibility
17-Sep-20	Navigator	4Q2020: Staggering on
10-Sep-20	Market Musings	MY: BNM holds but wary of risks
28-Aug-20	Market Musings	TH: Thailand's era of low rates
05-Aug-20	Conference Notes	MY: FMAM webinar highlights Malaysia's measures to move forward from pandemic
05-Aug-20	Market Musings	TH: BoT holds the rate with cautious outlook
07-Jul-20	Market Musings	MY: BNM cut the policy rate, within expectations.
24-Jun-20	Market Musings	TH: BoT pauses; Cautious statement, but recovery in sight
17-Jun-20	Navigator	3Q2020: Low-for-longer (LFL)
22-May-20	Market Musings	Rates directed by epidemic fallout
21-May-20	Market Musings	TH: BoT Meets Rate Cut Expectation
06-May-20	Market Musings	MY: Malaysia delivers on OPR cut

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